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C O N F I D E N T I A L TAIPEI 004480

SIPDIS

STATE FOR EAP/RSP/TC AND EB/MTA, STATE PASS USTR AND AIT/W,
USTR FOR WINELAND AND WINTERS, GENEVA FOR SHARK, USDA FOR
FAS/ITP/MTND AND ITP/MIRELES

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TAGS: [EAGR](#) [ETRD](#) [TW](#) [WTO](#)

SUBJECT: TAIWAN BOFT: G10 WANTS TOUGHER AGR PROTECTIONS

REF: STATE 199861

Classified By: AIT Acting Director David Keegan, reason 1.4 b/d

11. (C) BOFT Deputy Director of Multilateral Affairs Jack Hsiao spoke with AIT about Taiwan's response to the US request for additional pressure on the EU to improve their agriculture offer at the WTO on November 2. Hsiao appreciated the US position but noted that Taiwan and the rest of the G-10 were even more conservative than the EU. The members of the G-10 have publicly expressed their dissatisfaction with the US position and the subsequent focus on the EU response. According to Hsiao the Japanese Deputy Trade Minister commented publicly that the US is "dreaming" and suggested a new grouping be created called the "Friends of Flexibility". Hsiao predicted that the G-10 would have no choice but to try to veto any US/EU accommodation that did not take into account the G-10 position.

12. (C) When Econoff asked whether the G-10 might keep a low profile and let the EU take the heat for the lack of progress on agricultural reform negotiations, Hsiao said no. If the G-10 can share the EU's burden it would be much better, he said. He noted that the Japanese Trade ministry had volunteered to fly to London for planned US/EU agriculture discussions on November 7 just to ensure that G-10 views were taken into account, but to date they had not been invited. The G-10 members are worried that the Hong Kong Ministerial will result in a repeat of the July Package, which Hsiao characterized as a US/EU "consensus" that the G-10 was forced to join. Hsiao predicted that the G-10 members would not allow this to happen again.

13. (C) Regarding the U.S. position on non-agricultural market access (NAMA), Hsiao acknowledged that the Taiwan position was in line with the U.S.-supported formula on market opening for manufactured goods, but noted that Taiwan has products that need flexibility. He suggested that Taiwan could be given some special leeway as a newly acceded member or, if that was not possible, that Taiwan might be treated as a developing country. As a developing country, Taiwan would have a 10% leeway on cuts in tariffs, he said. He noted that Taiwan had agreed not to seek developing country status in accession negotiations but denied that agreement precluded future treatment as a developing country. In agriculture trade, countries are still allowed to protect certain sensitive sectors and products, but in non-agriculture trade developed countries don't have that option. According to Hsiao treating Taiwan as a developing country would allow a slower phase in of agreed commitments. Hsiao also insisted that Taiwan could not move any faster on market liberalization than its regional competitors, including South Korea, Singapore, and Malaysia.

14. (C) Comment: Hsiao's suggestion that Taiwan be treated as a developing country for the purposes of implementing any future agreement on NAMA rises from Taiwan's concern that they pushed the limits of local industry's willingness to accept tariff cuts in order to join the WTO in 2002. Taiwan argues that industry needs additional time to adjust to the competitive pressures from trade liberalization. Demanding additional liberalization so soon after accession puts Taiwan companies at a disadvantage, says BOFT. Taiwan has been pushing without success for special treatment for newly acceded members, this proposal should be seen as a creative attempt on the part of BOFT to reach that goal. This is the first we've heard of the proposal that Taiwan be treated like a developing country for the purposes of phasing in NAMA commitments. However, we can't imagine others at Taiwan's same income level wouldn't want similar treatment, severely compromising the effectiveness of any future NAMA agreement. End Comment.
Keegan